



CITY OF HUNTINGTON BEACH

Finance Board

TO: The City Council

CC: Paul Emery, Interim City Administrator

FROM: Finance Board

DATE: January 20, 2008

**SUBJECT: SUBMITTAL OF FINANCE BOARD ANNUAL REPORT,
CALENDAR YEAR 2007**

The City Council created the Finance Board in 1993 to “act in an advisory capacity to the City Council in matters pertaining to financial planning.” One duty of your Finance Board is to prepare an Annual Report to the City Council. This report is intended for that purpose.

Charles Falzon
Chairman, Finance Board

Tim Geddes, Vice Chairman

Members:
Steve Garcia
Bob Jones
Stephen King
Frank Lograsso

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INTRODUCTION/OVERVIEW OF 2007

As we have done in prior years, we started 2007 with a Joint Study Session with Council to help establish Board priorities for 2007. Our activities during 2007, as described below, followed the priorities set at the start of the year and also included items from our regular calendar of activities.

CITY COUNCIL/FINANCE BOARD JOINT STUDY SESSION - FEBRUARY 20, 2007

The City Council and Finance Board held a joint Study Session on February 20, 2007 to review the Finance Board Annual report and to discuss the Finance Board's potential activities for 2007. The general consensus of the Council was that the Finance Board would concentrate on (1) creating a long term financial plan for the city including Unfunded Liabilities, (2) the Equipment/Vehicle Administrative Regulation, (3) Neighborhood Improvement Districts, and (4) the eCivis software for grants.

1. Long Term Financial Plan including Unfunded Liabilities

Historically the Finance Board has been concerned about the long-term financial health of the city. The city measured part of its financial health when it examined the long-term cost of infrastructure in the year 2000 with the IIMP study. Since then, the financial situation has continued to evolve. The Board believes a better understanding of the city's financial future is necessary, and will benefit both the Council and the citizenry. To that end, during 2005 the Board started to work with staff to develop a long-term financial plan for our city. During November of 2005, the Board decided to delay additional effort on the Long Term Financial Plan (LTFP) until the Council completed their Strategic Planning effort. Our logic was that the LTFP should be supportive of the Strategic Plan.

With the release of the City Strategic Plan on August 21, 2006, the Board began the process of developing the LTFP. At our September 2006 meeting, Rick Amadril, from the Finance Department, gave the Board a presentation on the process for writing a Request for Qualifications (RFQ) for a consultant to help the Board with the preparation of the LTFP. During our December meeting, we reviewed a draft RFQ and gave Rick Amadril our approval to proceed with its issuance.

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During 2007, the Finance Board was involved with the process of selecting a consultant to create the long-term financial plan for the City. The selected consultant, Public Financial Management (PFM), started work on the LTFP toward the end of the summer. They are expected to complete the LTFP by February of 2008.

The Finance Board has always felt very strongly that a Long Term Financial Plan is one of the keys to the future long-term stability of Huntington Beach. It should also play an important role in helping the Council achieve the City's Strategic Plan. We look forward to the completion of the LTFP and working with the Council to address the findings of the LTFP. We expect this to be a key activity for the Board in 2008.

2. Equipment/Vehicle Administrative Regulation

Toward the end of 2006, the Finance Board was asked to work with staff to develop an Administrative Regulation for the funding and replacement of equipment and vehicles. The Board worked with staff, reviewing drafts of the proposed Regulation and offering our comments. This Regulation was subsequently approved and implemented. The Board does not expect further involvement with this topic during 2008 unless requested by Council.

3. Neighborhood Improvement Districts

The Finance Board first proposed this concept in our January 2003 Annual Report. Subsequently, the City established a program similar to the one recommended by the Finance Board. To date the Board understands that there has been little activity with this program.

In November 2006, city staff made a presentation to the Board on the program and how it could be improved. Everyone agreed that the current program is not working. Until the program is improved, the City should not expend any additional effort in advertising the program.

The Board believes the program needs to be simplified from the perspective of the resident, possibly tailoring the program to the needs of individual property owners instead of groups of property owners. We should also see if we could learn from other cities that have implemented similar programs.

One suggestion is for the City to consider creating a matching funds-type program, where residents could pay some of the cost of tree replacement, curb/gutter repairs, etc., and the City would pay the balance of the cost. This

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would allow the resident to have repairs completed sooner than the current backlog of approximately 11 years will allow. From the City's perspective, they would benefit financially from this cost sharing with the homeowners. Though completely voluntary, such a program should be a win-win for residents and the City.

The Finance Board will continue to address this topic in 2008.

4. eCivis Software

With the Finance Board's recommendation, the eCivis Grants Locator Service was first implemented by the City in April 2005, with a recommendation for renewal in early 2006.

Although usage for 2005 did not reflect the expected benefits, 2006 did show a significant increase in the number of users and usage. The Board believed this increase was the result of a number of events including:

- A. Meetings with eCivis, Finance Board and staff to discuss methods for improving utilization of the service, implementing enhancements available through the service, and ways to provide administrative documentation reflecting system usage.
- B. Due to changes in the system, eCivis provided on-site training for Huntington Beach end users and has streamlined the search process by enhancing the capabilities of the search engine to reduce the time necessary for identifying grants applicable to the user.
- C. Weekly e-mails sent by eCivis to all users identifying new grants.
- D. Commitment by staff to implement and distribute, monthly and annual, departmental reports reflecting the following information by user:
 - 1. Number of logins
 - 2. Grants Viewed
 - 3. Grants Saved

Staff was to measure the effectiveness of the system by providing a report documenting the number of grants applied for, won or lost, as a result of using this process. This first report was to be completed by April 2007.

Based on the above, the Finance Board recommended last year that eCivis be renewed for 2007.

The Board continued our interest in eCivis during 2007. While we were able to obtain usage reports from staff, we have not been able to obtain the expected effectiveness report mentioned above. Therefore, we have been unable to determine the benefit of the eCivis software. Similarly, we have been unable to determine if the City is effective in obtaining grants.

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It should be noted that eCivis has provided benefits to non-profit groups associated with the City at no additional cost. However, unless staff can provide some objective evidence that the City benefits from the eCivis software, then Finance Board cannot recommend that the eCivis contract be renewed for 2008.

PROPOSED 2008 ACTIVITIES

- Completion of the Long Term Financial Plan, including Unfunded Liabilities
- Implementation of Recommendations from the Long Term Financial Plan
- Neighborhood Improvement Districts

SUMMARY

In summary, the Finance Board's charter is to serve the Council, and through the Council, the citizens of Huntington Beach. We welcome Council comment on our proposed 2008 activities and we look forward to working with the Council to address the City's financial challenges.